



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: January 11, 2011

TO: Mayor and Councilmembers

FROM: Engineering Division, Public Works Department

SUBJECT: Declaration As Excess City Land And Authorization To Initiate Sale
Of Property At 20 South Milpas Street

RECOMMENDATION: That Council:

- A. Declare the property owned by the City of Santa Barbara located at 20 South Milpas Street as excess to the City;
- B. Authorize the expenditure not to exceed \$10,000 to make the property ready for sale; and
- C. Authorize the Public Works Director to offer the property for sale in a public auction, and negotiate final sale terms as provided for and as required by Chapter 4.28 of the Santa Barbara Municipal Code.

DISCUSSION:

The property known as 20 South Milpas Street; Assessor Parcel Number 017-165-007, was originally granted to the City by the State in 1959, by Resolution No. 3968. The property was part of a remainder parcel related to right of way acquisitions previously done for State Highway improvements.

In 1960, the City leased the property as a parking lot to the United States Postal Service (USPS), who then operated a local Post Office in a leased building on the adjacent parcel (see Attachment 1). Since that time, the City has continued to renew the parking lot lease with the USPS for various terms of one, three, and five years.

The USPS occupied the building adjacent to the parking lot with a five-year lease term in place. In 1998, in anticipation of entering into a long-term lease with the USPS for the parking lot to match their building lease, the City authorized an appraisal to determine the current rental value. The appraisal determined an approximate value of \$50 per parking space. Based on thirty-one spaces being available at the time, a valuation of \$18,600 dollars per year was determined as market rent for the parking lot.

The USPS had also expressed a desire to potentially purchase the parking lot property on several occasions. In light of this, a sales comparison valuation was also done for the property, based on C-2 zoned comparable properties to determine an estimate of market value. A value of \$33 per square foot was established. Given the lot size of 10,250 square feet, a market sale valuation for the property was estimated at \$338,250 dollars.

Due to future planning uncertainties by the USPS, a long-term lease was never implemented, nor was the property purchased. Subsequently, several one and two year lease extensions with renewals and extensions were approved until 2001, when it was determined that a five-year lease with the option to renew for an additional five years, for an effective term of ten years, would be more suitable for the USPS in matching their building lease tenancy. This term was approved and commenced.

The lease rental rate of \$18,500 was continued for the initial five-year term, as the USPS was considered an excellent long-term tenant in good standing with City. The City's policy is to renew leases for tenants of this status. It is also noted that very little maintenance was ever required of the parking lot property, and the lease to the USPS was always primarily an accommodation for the postal service provided to the public. The five-year renewal of the second five-year term was at the rate of \$21,000, to reflect a slight escalation in rent over the term.

The USPS had discussed moving the Milpas Street facility on several instances over the years. In 2006, indications were again given to the City that the Post Office would be moving to a new facility on Nopal Street, and that the USPS would be terminating the lease for the parking lot when the initial five-year term would be ending. Again, due to budget concerns and the logistics of relocating the Post Office, the move was postponed and the lease was renewed for the second five-year term.

After budgeting concerns were resolved, the USPS completed their new facility, and relocation of the Milpas Street Post Office in 2008. The City was informed per the terms of the existing lease that the USPS had sublet the parking lot to the new tenant, now occupying the building premises adjacent to the parking lot previously occupied by the Milpas Post Office. The existing lease term ends November 30, 2011.

BUDGET/FINANCIAL INFORMATION:

As the lease term ends in slightly less than one year, it is timely to prepare the property for sale now. The costs associated in preparing the property for sale are approximately \$6,000 to \$10,000 dollars and are proposed to be paid from the Engineering, Land Development Division Services budget. The costs are related to property title and conditions research, an initial environmental study, staff time for property appraisal valuation, advertising the sale, and public proceedings and negotiations.

It should be noted that there were very few land sales in 2009-2010. Preliminary market research of comparable property listings for sale in the lower Eastside of the City indicates a range of \$57 to \$130 dollars per square foot. Current listings in the downtown and upper State Street area indicate a range of \$209 to \$100 dollars per square foot.

As a conservative estimate, using a slightly discounted value for the location and shape, the subject 20 South Milpas property reflects a range of approximately \$30 to \$45 dollars per square foot. Based on this estimation, a general approximation of value range is \$300,000 to \$400,000 dollars. The net proceeds of the sale would go to the General Fund.

In light of the fact the USPS no longer occupies the Milpas Street location and a new commercial tenant is now in place, this is an opportunity for the City to discontinue its role as a long term Landlord. It is prudent at this time to present the property to Council for recommendation to declare the property as excess to the City's needs and future uses, and approve the actions to initiate its sale through public auction as outlined in the Disposition Proposal. (see Attachment 2).

ATTACHMENTS: 1) Assessor's Parcel and Vicinity Map
 2) Disposition Proposal

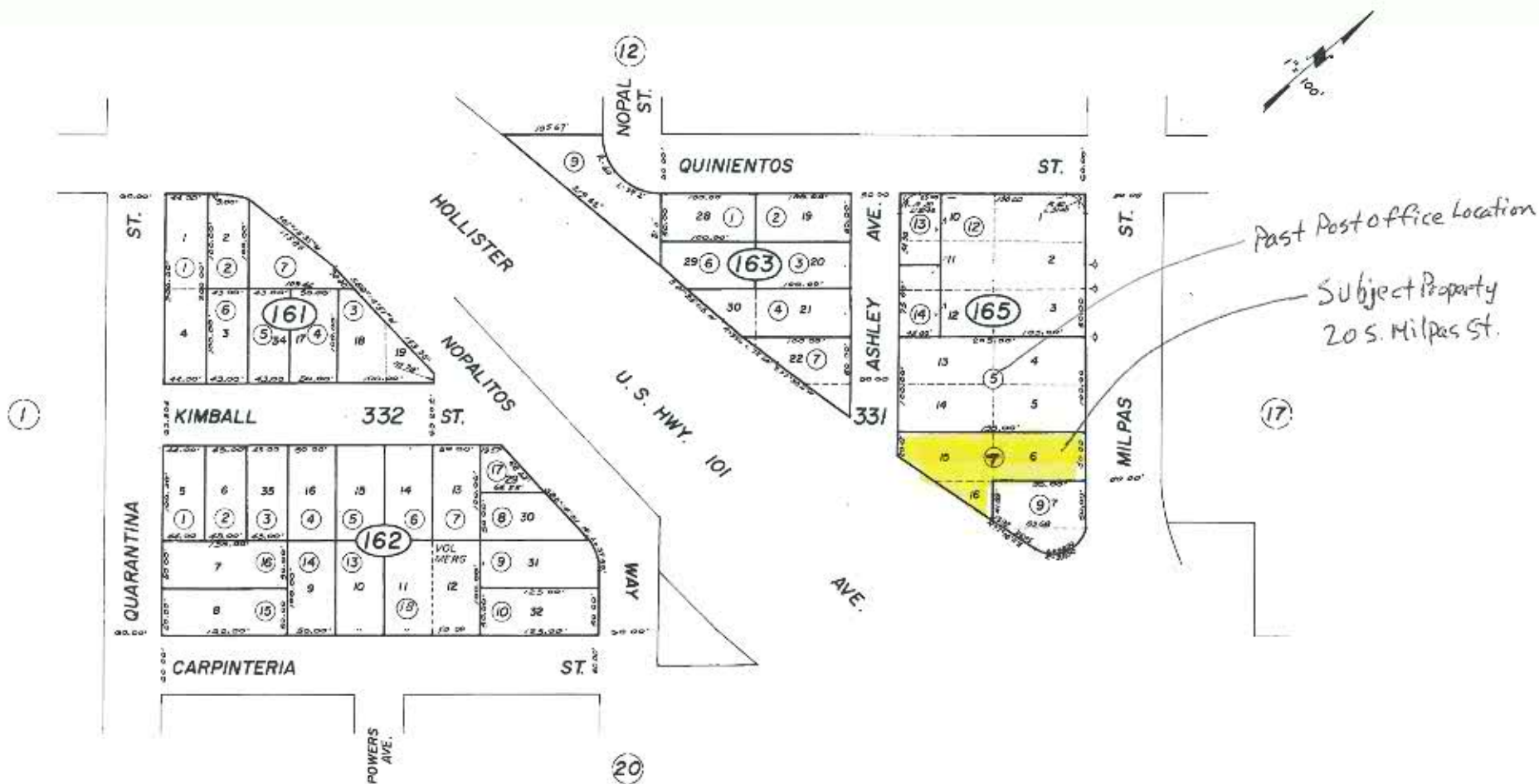
PREPARED BY: Pat Kelly, Assistant Public Works Director/City Engineer/DT/mj

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office

PUEBLO LANDS

ATTACHMENT 1
17-16



Assessor's Map Bk. 17 - Pg. 16
County of Santa Barbara, Calif.

NOTE - Assessor's Block Numbers Shown in Ellipses
Assessor's Parcel Numbers Shown in Circles

02/98 164-02 June 2003-20

20 South Milpas Street; City Land used as Parking lot



**Disposition Proposal
20 South Milpas Street (APN 017-165-007)**

December 11, 2010

The following is a proposed timeline for the disposition of this property:

	<u>Target Dates</u>
Council Action to declare excess land and authorize sale	January 2011
Send notice of termination of lease to the USPS	February 2011
Order Preliminary Title Report & initiate Environmental Analysis	February 2011
Prepare Staff Appraisal (Request Appraisal if necessary)	March 2011
CEQA Review – anticipated Notice of Exemption	April 2011
Notices & Letters of Interest to Other Agencies (Govt. Code 54222 + 60 days)	May 2011
Response by other agencies (allowed 60 days)	July 2011
Council Agenda Report Resolution authorizing sale	July 2011
Advertising/Notice of Sale	August 2011
Public Auction	September 2011
Bids received/Negotiate Sale	October 2011
Council Resolution authorizing (City Administrator) execution of Agreement of Sale	November 2011
Escrow Opening (First American Title Insurance Co.)	November 2011
Close of escrow (after effective date of Ordinance)	December 2011